

**SOUTHEAST WEBSTER  
COMMUNITY SCHOOL DISTRICT**

INDEPENDENT AUDITOR'S REPORTS  
FINANCIAL STATEMENTS AND  
SUPPLEMENTAL INFORMATION  
SCHEDULE OF FINDINGS

JUNE 30, 2004

## TABLE OF CONTENTS

	<u>Page</u>
Officials	1
Independent Auditor's Report	2-3
Management's Discussion and Analysis	4-12
Basic Financial Statements:	<u>Exhibit</u>
District-Wide Financial Statements:	
Statement of Net Assets	A 13
Statement of Activities	B 14-15
Governmental Fund Financial Statements:	
Balance Sheet	C 16
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D 17
Statement of Revenues, Expenditures and Changes in Fund Balances	E 18-19
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F 20
Proprietary Fund Financial Statements:	
Statement of Net Assets	G 21
Statement of Revenues, Expenses and Changes in Net Assets	H 22
Statement of Cash Flows	I 23-24
Notes to Financial Statements	25-33
Required Supplementary Information:	
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Fund	34
Budgetary Comparison Schedule - Budget to GAAP Reconciliation	35
Notes to Required Supplementary Information - Budgetary Reporting	36
Other Supplementary Information:	<u>Schedule</u>
Nonmajor Governmental Funds:	
Combining Balance Sheet	1 37
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2 38
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	3 39
Nonmajor Proprietary Funds:	
Combining Statement of Net Assets	4 40
Statement of Revenues, Expenses and Changes in Net Assets	5 41
Combining Statement of Cash Flows	6 42
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	7 43
Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting	44-45
Schedule of Findings	46-47

**SOUTHEAST WEBSTER COMMUNITY SCHOOL DISTRICT**

**OFFICIALS**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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**BOARD OF EDUCATION**

(Before September, 2002 Election)

Todd Lundgren	President	2004
David Mickelson	Vice President	2005
Steve Collen		2003
Dan Hansen		2004
Grant Gibbons		2005

(After September, 2002 Election)

Todd Lundgren	President	2004
David Mickelson	Vice President	2005
Dan Hansen		2004
Grant Gibbons		2005
Michelle Stapp		2006

**SCHOOL OFFICIALS**

Dr. Mike Jorgensen	Superintendent
Karla Flickinger	District Secretary/ Treasurer

## Independent Auditor's Report

To The Board of Education of the  
Southeast Webster Community School District:

We have audited the accompanying financial statements of the governmental activities, business type activities, each major fund and the aggregate remaining fund information of Southeast Webster Community School District, Burnside, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of Southeast Webster Community School District as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

As discussed in Note 11 to the financial statements, during the year ended June 30, 2004, Southeast Webster Community School District adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; Statement No. 41, Budgetary Comparison Schedule - Perspective Differences; and Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.

In accordance with Government Auditing Standards, we have also issued our reports dated July 20, 2004 on our consideration of Southeast Webster Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 34 thru 36 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Southeast Webster Community School District's basic financial statements. We previously audited the financial statements for the three years ended June 30, 2003 (none of which are presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information, has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

**BRUCE D. FRINK**  
**Certified Public Accountant**

July 20, 2004

## **SOUTHEAST WEBSTER COMMUNITY SCHOOL DISTRICT**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

Southeast Webster Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2004. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

Because the District is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the District's financial position and results of operations.

#### **2004 FINANCIAL HIGHLIGHTS**

- General Fund revenues decreased from \$4,060,195 in fiscal 2003 to \$3,959,024 in fiscal 2004, while General Fund expenditures decreased from \$4,117,175 in fiscal year 2003 to \$4,088,214 in fiscal 2003.
- The decrease in General Fund revenues was primarily attributable to an across the board cut in state foundation aid and other state funding cuts. The decrease in expenditures was due primarily to cuts in staffing and reduced discretionary spending.
- The District collects School Infrastructure Local Option Sales Tax from Webster County during the year. These revenues are being used to pay for debt service on revenue bonds.

#### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Southeast Webster Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Southeast Webster Community School District operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Southeast Webster Community School District acts solely as an agent or custodian for the benefit of those outside of County government.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the non-major Special Revenue Funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

*Figure A-1*  
*Southeast Webster Community School District*

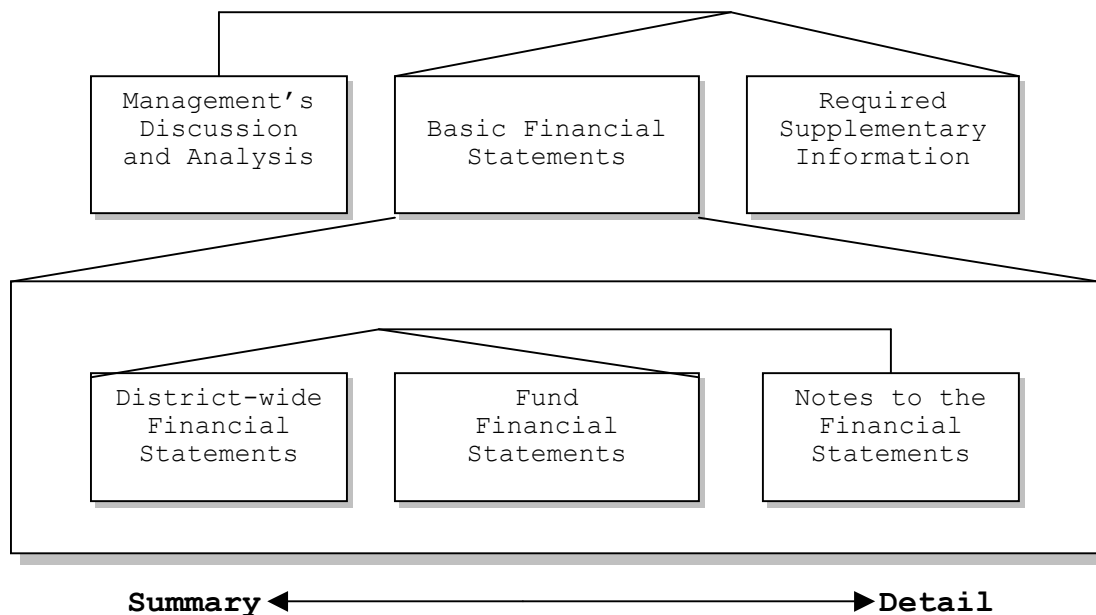


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

<b>Figure A-2</b> <b>Major Features of the District-Wide and Fund Financial Statements</b>			
	<b>District-Wide Statements</b>	<b>Fund Financial Statements</b>	
		<b>Governmental Funds</b>	<b>Proprietary Funds</b>
Scope	Entire district	The activities of the district that are not proprietary, such as special education and building maintenance	Activities the district operates similar to private businesses, such as food service
Required financial statements	. Statement of net assets . Statement of activities	. Balance sheet . Statement of revenues, expenditures, and changes in fund balances	. Statement of net assets . Statement of revenues, expenses and changes in net assets . Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid



## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### *Government-wide Financial Statements*

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

### *Fund Financial Statements*

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues, such as federal grants.

The District has two kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how much cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

The required financial statements for proprietary funds include a statement of revenues, expenses, changes in net assets and a statement of cash flows.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the District-wide statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business-type activities but provide more detail and additional information, such as cash flows. The District's enterprise funds include the School Nutrition Fund, Eagles Nest and Daycare.

Reconciliations between the district-wide financial statements and the fund financial statements follow the fund financial statements.

## DISTRICT-WIDE FINANCIAL ANALYSIS

**Net assets** - Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2004 compared to June 30, 2003.

Figure A-3 Condensed Statement of Net Assets (expressed in thousands)							
	Governmental Activities		Business-type Activities		Total School District		Percentage Change
	June 30,		June 30,		June 30,		June 30,
	2004	2003	2004	2003	2004	2003	2003-2004
	\$	\$	\$	\$	\$	\$	
Current assets	3,246	2,482	9	19	3,255	2,501	30.15%
Capital assets	1,886	1,902	24	23	1,910	1,925	-0.78%
<b>Total assets</b>	<u>5,132</u>	<u>4,384</u>	<u>33</u>	<u>42</u>	<u>5,165</u>	<u>4,426</u>	<u>16.70%</u>
Current liabilities	2,605	1,791	32	29	2,637	1,820	44.89%
Non-current liabilities	860	1,030	-	-	860	1,030	-16.50%
<b>Total liabilities</b>	<u>3,465</u>	<u>2,821</u>	<u>32</u>	<u>29</u>	<u>3,497</u>	<u>2,850</u>	<u>22.70%</u>
Net Assets							
Invested in capital assets, net of related debt	1,081	982	24	23	1,105	1,005	9.95%
Unrestricted	586	581	(23)	(10)	563	571	-1.40%
<b>Total net assets</b>	<u>1,667</u>	<u>1,563</u>	<u>1</u>	<u>13</u>	<u>1,668</u>	<u>1,576</u>	<u>5.84%</u>

The District's combined net assets increased by over 5%, or approximately \$92,000 over the prior year. The largest portion of the District's net assets is the invested in capital assets, less the related debt.

Unrestricted net assets - the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - decreased approximately \$8,000 or 2%. This decline was due in large part to reductions in state aid during the school year.

Figure A-4 shows the changes in net assets for the year ended June 30, 2004.

**Figure A-4**  
**Change in Net Assets**  
**(expressed in thousands)**

	Governmental Activities	Business-type Activities	Total School District
	\$	\$	\$
Revenues:			
Program revenues:			
Charges for service and sales	445	179	624
Operating grants, contributions and restricted interest	636	101	737
General revenues:			
Property tax	1,488	-	1,488
Sales tax	254		
Income surtax	67	-	67
Unrestricted state grants	1,610	-	1,610
Unrestricted investment earnings	7	-	7
Other	21	-	21
Total revenues	<u>4,528</u>	<u>280</u>	<u>4,808</u>
Program expenses:			
Governmental activities:			
Instruction	2,982	-	2,982
Support Services	1,094	-	1,094
Non-instructional programs	5	292	297
Other expenses	342	-	342
Total expenses	<u>4,423</u>	<u>292</u>	<u>4,715</u>
Change in net assets	<u>105</u>	<u>(12)</u>	<u>93</u>

Property tax and unrestricted state grants account for 68% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 92% of the total expenses.

## Governmental Activities

Revenues for governmental activities were \$4,528,345 and expenses were \$4,423,701.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

<b>Figure A-5</b>		
<b>Total and Net Cost of Governmental Activities</b>		
<b>(expressed in thousands)</b>		
	<b>Total Cost of Services</b>	<b>Net Cost of Services</b>
	<b>\$</b>	<b>\$</b>
Instruction	2,982	2,084
Support Services	1,094	1,065
Non-instructional programs	5	5
Other expenses	<u>342</u>	<u>189</u>
Totals	<u>4,423</u>	<u>3,343</u>

- The cost financed by users of the District's programs was \$445,222.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$635,904.
- The net cost of governmental activities was financed with \$1,711,542 in property and other taxes and \$1,610,124 in unrestricted state grants.

## Business-Type Activities

Revenues for business type activities were \$280,046 and expenses were \$291,892. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

During the year ended June 30, 2004, the District held meal prices steady. The District's Daycare operation showed a profit for the year. Proceeds from the District's prior house construction projects were transferred to the District's General Fund.

## INDIVIDUAL FUND ANALYSIS

As previously noted, Southeast Webster Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$645,237, a seven percent increase over last year's ending fund balances of \$695,006.

## **Governmental Fund Highlights**

- The District's decreasing General Fund financial position is the result of several factors. Staffing reductions were a large part of current savings and projected to be an ongoing source of savings. The District has also carefully monitored discretionary spending to avoid decreases in fund balances. The preservation of the General Fund balance is especially important in light of the State's decision to remove the budget guarantee. However, state funding reductions in November, 2003 caused a decrease in the General Fund balance during the year ended June 30, 2004.
- The Physical Plant and Equipment Levy (PEEL levy) increased over \$17,000 as a result of the District monitoring its expenditures in this fund.
- The Capital Projects fund increased over \$62,000 in the fiscal year ending June 30, 2004. This money can be used for many of the same purposes as the District's PEEL levy. The District is currently prioritizing projects for use of these funds that remain after debt service requirements are met.

## **Proprietary Fund Highlights**

The School Nutrition Fund balance maintained its position during the fiscal year ending June 30, 2004.

## **BUDGETARY HIGHLIGHTS**

The District's receipts were \$80,381 less than budgeted receipts, a variance of 2%. The most significant variance resulted from the District receiving less in state aid than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year. Expenditures did exceed the amount budgeted in the Other Expenditures functional area due to a change in spending priorities, however, the budget as a whole was not exceeded.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

At June 30, 2004, the District had invested \$1,886,263, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net decrease of 19% from last year. More detailed information about the District's capital assets is presented in Note 3 to the financial statements. Depreciation expense for the year was \$122,175.

The original cost of the District's capital assets was \$3,803,335. Governmental funds account for \$3,755,175, with the remainder of \$48,160 accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the facilities category. The District spent over \$50,000 on remodeling the District's facilities.

**Figure A-6**  
**Condensed Statement of Net Assets**  
**(expressed in thousands)**

	<b>Governmental</b>		<b>Business-type</b>		<b>Total</b>		<b>Total</b>
	<b>Activities</b>		<b>Activities</b>		<b>School District</b>		<b>Change</b>
	<b>June 30,</b>		<b>June 30,</b>		<b>June 30,</b>		<b>June 30,</b>
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>	<b>2003-2004</b>
	\$	\$	\$	\$	\$	\$	
Land	8	5	-	-	8	5	60.00%
Site improvements	6	14	-	-	6	14	-57.14%
Buildings	1,872	1,873	-	-	1,872	1,873	-0.05%
Furniture and equipment	-	10	23	24	23	34	-32.35%
Totals	<u>1,886</u>	<u>1,902</u>	<u>23</u>	<u>24</u>	<u>1,909</u>	<u>1,926</u>	<u>-0.88%</u>

### **Long-Term Debt**

The District has revenue bonds outstanding of \$805,000. These are paid with proceeds of the Webster County one half cent sales tax. The debt will be fully retired in fiscal year 2009.

### **ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE**

At the time these financial statements were prepared and audited, the District was aware of existing circumstances that could significantly affect its financial health in the future:

- Declining enrollment and the effects of the removal of the 100% budget guarantee will require due diligence on the part of the administration and board of education.
- For the 2003-04 school year the state cut the District's budget by 2.5%. This was an across the board cut, effecting Phase I & II and Teacher Compensation as well as other areas. This will force the District to use some of the cash on hand. To maintain programs at current levels. Cuts made during the fiscal year negatively impact the District's balances as adequate expense reductions are not possible.
- Unfunded mandates are stretching the limits of not only the financial health of the District, but also the human resources aspect of the District. "No Child Left Behind", "Student Achievement and Teacher Quality Act", and "GASB 34", to name a few.

### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Dr. Michael Jorgensen, Superintendent, Southeast Webster Community School District, 30850 Paragon Ave, Burnside, IA 50521.

## Basic Financial Statements

## POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT

## Statement of Net Assets

June 30, 2004

	Governmental Activities	Business-Type Activities	Total
	\$	\$	\$
<b>Assets</b>			
Cash and pooled investments	2,310,228	17,639	2,327,867
Receivables:			
Property tax:			
Current year	25,943	-	25,943
Succeeding year	2,272,031	-	2,272,031
Due from other governments	118,662	-	118,662
Other receivables	24,263	110	24,373
Prepaid expenses	85,532	-	85,532
Capital assets, net of accumulated depreciation	2,636,688	13,545	2,650,233
<b>Total assets</b>	<u>7,473,347</u>	<u>31,294</u>	<u>7,504,641</u>
<b>Liabilities</b>			
Accounts payable	64,067	-	64,067
Accrued payroll and benefits	26,107	-	26,107
Deferred revenue:			
Succeeding year property tax	2,272,031	-	2,272,031
Long-term liabilities:			
Portion due within one year:			
Early retirement payable	24,221	-	24,221
Capital loan notes payable	24,457	-	24,457
<b>Total liabilities</b>	<u>2,410,883</u>	<u>-</u>	<u>2,410,883</u>
<b>Net assets</b>			
Invested in capital assets, net of related debt	2,612,231	13,545	2,625,776
Restricted for:			
Internal services	80,307	-	80,307
Management levy	174,753	-	174,753
Student activities	57,953	-	57,953
Physical plant and equipment levy	385,195	-	385,195
Unrestricted	1,752,025	17,749	1,769,774
<b>Total net assets</b>	<u>5,062,464</u>	<u>31,294</u>	<u>5,093,758</u>

See notes to financial statements.



## POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT

## Statement of Activities

Year ended June 30, 2004

	Program Revenues					
		Charges for	Operating Grants, Contributions and Restricted	Governmental	Business-Type	
	Expenses	Service	Interest	Activities	Activities	Total
	\$	\$	\$	\$	\$	\$
Functions/Programs						
Governmental activities:						
Instruction:						
Regular instruction	2,899,581	266,408	280,647	(2,352,526)	-	(2,352,526)
Special instruction	890,307	40,270	64,383	(785,654)	-	(785,654)
Other instruction	658,471	138,544	108,115	(411,812)	-	(411,812)
	4,448,359	445,222	453,145	(3,549,992)	-	(3,549,992)
Support services:						
Student services	221,500	-	-	(221,500)	-	(221,500)
Instructional staff services	105,627	-	-	(105,627)	-	(105,627)
Administration services	599,322	-	4,500	(594,822)	-	(594,822)
Operation and maintenance of plant services	186,998	-	23,139	(163,859)	-	(163,859)
Transportation services	366,506	-	1,434	(365,072)	-	(365,072)
Other support services	#REF!	-	-	#REF!	-	#REF!
	#REF!	-	29,073	#REF!	-	#REF!
Non-instructional programs:						
Community service operations	5,165	-	-	(5,165)	-	(5,165)
Other expenditures:						
AEA flowthrough	226,294	-	146,026	(80,268)	-	(80,268)
Long-term debt interest	#REF!	-	-	#REF!	-	#REF!
Facilities acquisition and construction	182,124	-	7,660	(174,464)	-	(174,464)
Depreciation (unallocated)*	150,076	-	-	(150,076)	-	(150,076)
	#REF!	-	153,686	#REF!	-	#REF!
Total governmental activities	#REF!	445,222	635,904	#REF!	-	#REF!

POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2004

	Program Revenues					
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities	Total
	\$	\$	\$	\$	\$	\$
Business-Type activities:						
Non-instructional programs:						
Nutrition services	#REF!	#REF!	#REF!	-	#REF!	#REF!
Other enterprise operations	#REF!	#REF!	#REF!	-	#REF!	#REF!
	#REF!	#REF!	#REF!	-	#REF!	#REF!
Total	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!
General revenues:						
Property tax levied for:						
General purposes				1,320,483	-	1,320,483
Management				69,632	-	69,632
Capital outlay				98,483	-	98,483
Local option sales tax				253,820		253,820
Income surtax				67,124	-	67,124
Unrestricted state grants				1,610,124	-	1,610,124
Unrestricted investment earnings				6,968	-	6,968
Other				20,585	-	20,585
Total general revenue				3,447,219	-	3,447,219
Change in net assets				#REF!	#REF!	#REF!
Net assets beginning of year, as restated (note 11)				1,562,815	#REF!	#REF!
Net assets end of year				#REF!	#REF!	#REF!

\* This amount excludes the depreciation that is included in the direct expenses of the various programs.

## POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT

## Balance Sheet

## Governmental Funds

June 30, 2004

	General	Physical Plant and Equipment Levy	Nonmajor Special Revenue	Total
	\$	\$	\$	\$
<b>Assets</b>				
Cash and pooled investments	1,823,262	341,054	145,912	2,310,228
Receivables:				
Property tax:				
Current year	22,745	2,427	771	25,943
Succeeding year	1,991,180	185,851	95,000	2,272,031
Due from other governments	76,948	41,714	-	118,662
Other receivables	23,772	-	491	24,263
Prepaid expenses	-	-	85,532	85,532
<b>Total assets</b>	<u>3,937,907</u>	<u>571,046</u>	<u>327,706</u>	<u>4,836,659</u>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	64,067	-	-	64,067
Accrued payroll and benefits	26,107	-	-	26,107
Deferred revenue:				
Succeeding year property tax	1,991,180	185,851	95,000	2,272,031
Total liabilities	<u>2,081,354</u>	<u>185,851</u>	<u>95,000</u>	<u>2,362,205</u>
Fund balances:				
Reserved for internal services	80,307	-	-	80,307
Unreserved	1,776,246	385,195	232,706	2,394,147
Total fund balances	<u>1,856,553</u>	<u>385,195</u>	<u>232,706</u>	<u>2,474,454</u>
<b>Total liabilities and fund balances</b>	<u>3,937,907</u>	<u>571,046</u>	<u>327,706</u>	<u>4,836,659</u>

See notes to financial statements.

## POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds  
to the Statement of Net Assets

June 30, 2004

<b>Total fund balances of governmental funds (Exhibit C)</b>	\$ 2,474,454
<b>Amounts reported for governmental activities in the statement of net assets are different because:</b>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	2,636,688
Long-term liabilities, including notes payable and early retirement payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(48,678)</u>
<b>Net assets of governmental activities (Exhibit A)</b>	<u><u>\$ 5,062,464</u></u>

## POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT

## Statement of Revenues, Expenditures and Changes in Fund Balances

## Governmental Fund Types

Year ended June 30, 2004

	General	Physical Plant and Equipment Levy	Debt Service	Nonmajor Special Revenue	Total
	\$	\$	\$	\$	\$
Revenues:					
Local sources:					
Local tax	2,207,600	234,971	-	74,603	2,517,174
Tuition	372,820	-	-	-	372,820
Other	195,560	48,338	-	225,575	469,473
State sources	2,770,389	400	-	127	2,770,916
Federal sources	208,871	-	-	-	208,871
Total revenues	5,755,240	283,709	-	300,305	6,339,254
Expenditures:					
Current:					
Instruction:					
Regular instruction	2,822,688	-	-	76,893	2,899,581
Special instruction	890,307	-	-	-	890,307
Other instruction	422,866	-	-	235,605	658,471
	4,135,861	-	-	312,498	4,448,359
Support services:					
Student services	217,269	-	-	4,231	221,500
Instructional staff services	105,627	-	-	-	105,627
Administration services	593,265	-	-	6,057	599,322
Operation and maintenance of plant services	471,528	7,912	-	22,660	502,100
Transportation services	283,705	-	-	13,359	297,064
	1,671,394	7,912	-	46,307	1,725,613
Non-instructional programs:					
Community service operations	5,165	-	-	-	5,165

POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Fund Types

Year ended June 30, 2004

	General	Physical Plant and Equipment Levy	Debt Service	Nonmajor Special Revenue	Total
	\$	\$	\$	\$	\$
Expenditures (continued):					
Other expenditures:					
AEA flowthrough	226,294	-	-	-	226,294
Long-term debt:					
Principal	-	-	54,459	-	54,459
Interest	-	-	3,274	-	3,274
Facilities acquisition and construction	-	182,124	-	-	182,124
	<u>226,294</u>	<u>182,124</u>	<u>57,733</u>	<u>-</u>	<u>466,151</u>
 Total expenditures	<u>6,038,714</u>	<u>190,036</u>	<u>57,733</u>	<u>358,805</u>	<u>6,645,288</u>
 Excess (Deficiency) of revenues over (under) expenditures	<u>(283,474)</u>	<u>93,673</u>	<u>(57,733)</u>	<u>(58,500)</u>	<u>(306,034)</u>
 Other financing sources (uses):					
Operating transfers in	-	-	57,733	7,936	65,669
Operating transfers out	(7,936)	(57,733)	-	-	(65,669)
	<u>(7,936)</u>	<u>(57,733)</u>	<u>57,733</u>	<u>7,936</u>	<u>-</u>
 Excess (deficiency) of revenues over (under) expenditures and other financing uses	<u>(291,410)</u>	<u>35,940</u>	<u>-</u>	<u>(50,564)</u>	<u>(306,034)</u>
 Fund balances beginning of year, as restated (note 7)	<u>2,147,963</u>	<u>349,255</u>	<u>-</u>	<u>283,270</u>	<u>2,780,488</u>
 Fund balances end of year	<u>1,856,553</u>	<u>385,195</u>	<u>-</u>	<u>232,706</u>	<u>2,474,454</u>

See notes to financial statements.

## POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances - Governmental Funds  
to the Statement of Activities

Year ended June 30, 2004

**Net change in fund balances - total governmental funds (Exhibit E)** \$ (306,034)

**Amounts reported for governmental activities in the  
statement of activities are different because:**

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Expenditures for capital assets	\$ 111,513	
Depreciation expense	<u>(228,857)</u>	(117,344)

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

54,459

**Change in net assets of governmental activities (Exhibit B)** \$ (368,919)

## POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT

## Statement of Fiduciary Net Assets

## Fiduciary Funds

	-
	Scholarship
	Fund
	<u>\$</u>
<b>Assets</b>	
Cash and pooled investments	<u>1,242</u>
<b>Total assets</b>	<u>1,242</u>
<b>Net Assets</b>	
Reserved for scholarships	<u>1,242</u>

See notes to financial statements.





	Balance Beginning of Year, as restated (note 7)	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Governmental activities:				
Capital assets not being depreciated:				
Land	<u>143,945</u>	<u>-</u>	<u>-</u>	<u>143,945</u>
Capital assets being depreciated:				
Site Improvements	319,354	-	-	319,354
Buildings	3,445,085	-	-	3,445,085
Furniture and Equipment	<u>2,055,884</u>	<u>111,513</u>	<u>-</u>	<u>2,167,397</u>
Total capital assets being depreciated	<u>5,820,323</u>	<u>111,513</u>	<u>-</u>	<u>5,931,836</u>
Less accumulated depreciation for:				
Site Improvements	198,732	11,895	-	210,627
Buildings	1,765,251	57,108	-	1,822,359
Furniture and Equipment	<u>1,246,253</u>	<u>159,854</u>	<u>-</u>	<u>1,406,107</u>
Total accumulated depreciation	<u>3,210,236</u>	<u>228,857</u>	<u>-</u>	<u>3,439,093</u>
Total capital assets being depreciated, net	<u>2,610,087</u>	<u>(117,344)</u>	<u>-</u>	<u>2,492,743</u>
Governmental activities, capital assets, net	<u>2,754,032</u>	<u>(117,344)</u>	<u>-</u>	<u>2,636,688</u>
Business type activities:				
Furniture and equipment	52,863	418	-	53,281
Less accumulated depreciation	<u>34,591</u>	<u>5,145</u>	<u>-</u>	<u>39,736</u>
Business type activities capital assets, net	<u>18,272</u>	<u>(4,727)</u>	<u>-</u>	<u>13,545</u>
Depreciation expense was charged to the following functions:				
Governmental activities:				
Support services:				
Student support				83
Instructional support				1,623
Administration services				2,845
Plant operation and maintenance				4,788
Transportation				69,442
Unallocated				<u>150,076</u>
				<u>228,857</u>
Business Type activities				

**POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT**

Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances -  
Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2004

	Governmental Fund Types	Proprietary Fund Type	Total	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
	Actual	Actual	Actual	Original	Final	
	\$	\$	\$	\$	\$	\$
Receipts:						
Local sources	3,380,680	179,436	3,560,116	2,397,517	2,397,517	1,162,599
State sources	2,770,916	#REF!	#REF!	2,067,974	2,067,974	#REF!
Federal sources	208,871	73,142	282,013	420,150	420,150	(138,137)
Total receipts	6,360,467	#REF!	#REF!	4,885,641	4,885,641	#REF!
Disbursements:						
Instruction	4,413,287	-	4,413,287	3,453,945	3,453,945	(959,342)
Support services	1,725,613	-	1,725,613	1,275,967	1,275,967	(449,646)
Non-instructional programs	5,165	267,549	272,714	280,606	280,606	7,892
Other expenditures	466,151	-	466,151	387,142	387,142	(79,009)
Total disbursements	6,610,216	267,549	6,877,765	5,397,660	5,397,660	(1,480,105)
Excess (deficiency) of receipts over (under) disbursements	(249,749)	#REF!	#REF!	(512,019)	(512,019)	#REF!
Other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(249,749)	#REF!	#REF!	(512,019)	(512,019)	#REF!
Balance beginning of year	625,421	(19,380)	606,041	742,481	742,481	(136,440)
Balance end of year	375,672	#REF!	#REF!	230,462	230,462	#REF!

See notes to financial statements.

## SOUTHEAST WEBSTER COMMUNITY SCHOOL DISTRICT

### Notes to Financial Statements

June 30, 2004

#### (1) Summary of Significant Accounting Policies

The Southeast Webster Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Under a 28E whole grade sharing agreement with the Grand Community School District, students in grades 5 and 6 attend Grand while Grand students in Grades 3, 4, and 7 - 12 attend Southeast Webster. The geographic area served includes the Cities of Burnside, Harcourt, Lehigh, and Dayton, Iowa, and agricultural territory in Webster County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

##### A. Reporting Entity

For financial reporting purposes, Southeast Webster Community School District has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Southeast Webster Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Pocahontas and Webster County Assessor's Conference Board.

##### B. Basis of Presentation

Government-wide financial statements - The Statements of Net Assets and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other non-major governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Capital Projects Funds are utilized to account for all resources used in the acquisition and construction of capital facilities, with the exception of those that are financed through enterprise funds.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The District reports the following major proprietary fund:

The District's proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

#### C. Measurement Focus and Basis of Accounting

The District-wide financial statements and the proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected with 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financial sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary funds' principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sale and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statement of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

#### D. Assets, Liabilities and Fund Equity

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in Governmental Funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking the budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the District-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2002 assessed property valuations; is for the tax accrual period July 1, 2003 through June 30, 2004 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2003.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa and grants from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and contributed value for government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Interfund Receivable/Payable - The District's General Fund was deemed to have loaned, \$10,946 to the Management Fund, \$18,062 to the Enterprise Fund - Eagle's Nest and \$13,647 to Enterprise Fund - Daycare to cover cash deficits in a joint bank account.

Capital Assets - Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business-type activities columns in the District-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Land	\$ 1,000
Buildings	10,000
Improvements other than buildings	1,000
Furniture and equipment:	
School Nutrition Fund equipment	1,000
Other furniture and equipment	1,000

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - District employees accumulated a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the District-wide financial statements. A liability for these amounts is reported in governmental funds only for employees that have resigned or retired. The compensated absences liability is deemed to be immaterial at June 30, 2004.

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the District-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

#### E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. Expenditures exceeded the amount budgeted in the other expenditures functional area.

### **(2) Cash and Pooled Investments**

The District's deposits in banks at June 30, 2004 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had no investments at June 30, 2004.



### (3) Capital Assets

Capital assets activity for the year ended June 30, 2004 was as follows:

#### POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT

##### Budgetary Comparison Schedule - Budget to GAAP Reconciliation

##### Required Supplementary Information

Year ended June 30, 2004

	Governmental Fund Type		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	6,360,467	(21,213)	6,339,254
Expenditures	6,610,216	35,072	6,645,288
Net	(249,749)	(56,285)	(306,034)
Other financing sources (uses)	-	-	-
Beginning fund balances	625,421	2,155,067	2,780,488
Ending fund balances	375,672	2,098,782	2,474,454

	Proprietary Fund Type		
	Enterprise		
	Cash Basis	Accrual Adjustments	Accrual Basis
Revenues	255,702	#REF!	#REF!
Expenditures	267,549	#REF!	#REF!
Net	(11,847)	#REF!	#REF!
Beginning fund balances	(19,380)	#REF!	#REF!
Ending fund balances	(31,227)	#REF!	#REF!

### (4) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual payroll. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2004, 2003 and 2002 were \$150,478, \$151,979, and \$146,138 respectively, equal to the required contributions for each year.

**(5) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$146,026 for year ended June 30, 2004 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(6) Iowa School Cash Anticipation Program (ISCAP)**

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards, administered by Bankers Trust Co. N.A., and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. Bankers Trust maintains ISCAP accounts for each participating entity and provides monthly statements regarding their cash balance, interest earnings, and amounts available for withdrawal for each outstanding series of warrants. These accounts are reflected as restricted assets on the balance sheet. A summary of the District's participation in ISCAP as of June 30, 2004 is as follows:

<u>Series</u>	<u>Date(s) Funds are Available</u>	<u>Final Warrant Maturity</u>	<u>Investment</u>	<u>Accrued Interest Receivable</u>	<u>Warrants Payable</u>	<u>Accrued Interest Payable</u>
2004-05A	6/30/04	6/30/05	<u>\$273,486</u>	<u>-</u>	<u>275,000</u>	<u>-</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25<sup>th</sup> of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. There was no ISCAP advance activity in the General Fund for the year ended June 30, 2004.

The warrants bear an interest rate and the available proceeds of the warrants are invested at an interest rate as shown below:

<u>Series</u>	<u>Interest Rates on Warrants</u>	<u>Interest Rates on Investments</u>
2003-04A	2.750%	2.603%
2004-05A	2.000%	1.392%

**(7) Revenue Bonds Payable**

In June, 2000 the District issued \$1,230,000 of Local Option Sales and Services Tax Revenue Bonds for the purpose of constructing additions to existing buildings. The bonds will be repaid from revenues from the one half cent Local Option Sales and Services Tax levied in Webster County.

Details of the indebtedness at June 30, 2004 are as follows:

<u>Year Ending June 30,</u>	<u>Interest Rates</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2005	5.80	48,488	120,000	168,488
2006	5.90	41,527	130,000	171,527
2007	6.00	33,858	135,000	168,858
2008	6.10	25,757	145,000	170,757
2009	6.15	<u>16,912</u>	<u>275,000</u>	<u>291,912</u>
Total		<u>\$166,542</u>	<u>805,000</u>	<u>971,542</u>

The local option sales and services tax revenue bonds were issued for the purpose of defraying a portion of the cost of school infrastructure. The bonds are payable solely from the proceeds of the local option sales and services tax revenues received by the District. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District.

The resolution providing for the issuance of the local option sales and services tax revenue bonds includes the following provisions:

- a) All proceeds from the local option sales and services tax shall be placed in a Revenue Account.
- b) Monies in the Revenue Account shall be disbursed to make deposits into a Sinking Account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- c) Any monies remaining in the Revenue Account after the required transfer to the Sinking Account may be transferred to the Project Account to be used for any lawful purpose.

**(8) Capital Loan Note Payable**

In September, 2000 The District issued \$250,000 of Capital Loan Notes for the purpose of constructing additions to existing buildings. The notes will be repaid from proceeds of the District's voted PPEL fund.

Details of the indebtedness at June 30, 2004 are as follows:

<u>Year Ending June 30,</u>	<u>Interest Rates</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2005	6.15%	<u>\$2,805</u>	<u>55,000</u>	<u>57,805</u>

**(9) Changes in Long Term Debt**

A summary of the changes in long-term debt for the year ended June 30, 2004 is as follows:

	<u>Capital Loan Notes</u>	<u>Revenue Bonds</u>	<u>Total</u>
Balance beginning of year	\$110,000	920,000	1,030,000
Additions	-	-	-
Reductions	<u>55,000</u>	<u>115,000</u>	<u>170,000</u>
Balance end of year	<u>\$ 55,000</u>	<u>805,000</u>	<u>860,000</u>

**(10) Financial Condition**

The District's Enterprise Fund - Eagles Nest had a deficit fund balance of \$11,893 at June 30, 2004. The District's Enterprise Fund - Daycare had a deficit fund balance of \$13,647 at June 30, 2004. The District's Management Fund had a deficit fund balance of \$9,446 at June 30, 2004.

**(11) Accounting Change**

Governmental Accounting Standards Board (GASB) Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements was implemented during the year ended June 30, 2004. The interpretation modifies when compensated absence and early retirement liabilities are recorded under the modified accrual basis of accounting.

Governmental Accounting Standards Board (GASB) Statement Number 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, Statement Number 37, Basic Financial Statements and Management's Discussion and Analysis - for State and Local Governments; Omnibus, Statement Number 38, Certain Financial Statement Note Disclosures, and Statement No. 41, Budgetary Comparison Schedule - Perspective Differences; were implemented during the fiscal year ending June 30, 2004. The statements create new basic financial statements for reporting the District's financial activities. The financial statements now include District-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The District-wide financial statements split the District's programs between business-type and governmental activities. The beginning net asset amount for governmental activities has been restated to include capital assets, long-term liabilities and the changes in assets and liabilities at July 1, 2003 caused by the conversion to the accrual basis of accounting.

	Fund			Total
	General	Capital Projects	Nonmajor Special Revenues	
Net assets, June 30, 2003, as previously reported	\$481,141	128,997	84,868	695,006
GASB Interpretation 6 adjustments	-	(4,587)	-	(4,587)
Net assets, July 1, 2003, as restated for governmental funds	<u>\$481,141</u>	<u>124,410</u>	<u>84,868</u>	690,419
GASB 34 adjustments:				
Capital assets, net of accumulated depreciation of \$844,650				1,902,396
Long-Term Liabilities:				
Capital loan notes				(110,000)
Revenue bonds				<u>(920,000)</u>
Net assets, July 1, 2003, as restated				<u>\$1,562,815</u>

**(12) Reorganization**

The voters of the District approved reorganization with the Grand Community School District effective July 1, 2005,

## Required Supplementary Information

## POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT

## Combining Balance Sheet

## Nonmajor Special Revenue Funds

June 30, 2004

	Management	Student Activity	Total
	\$	\$	\$
<b>Assets</b>			
Cash and pooled investments	88,153	57,759	145,912
Property tax receivable:			
Current year	771	-	771
Succeeding year	95,000	-	95,000
Other receivables	297	194	491
Prepaid expenses	85,532	-	85,532
Total assets	269,753	57,953	327,706
<b>Liabilities and Fund Equity</b>			
Liabilities:			
Deferred revenue:			
Succeeding year property tax	95,000	-	95,000
	95,000	-	95,000
Fund equity:			
Unreserved, undesignated fund balance	174,753	57,953	232,706
	174,753	57,953	232,706
<b>Total liabilities and fund equity</b>	269,753	57,953	327,706

See accompanying independent auditor's report.

## POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures  
and Changes in Fund Balances

## Nonmajor Special Revenue Funds

Year ended June 30, 2004

	Management	Student Activity	Total
	\$	\$	\$
Revenues:			
Local sources:			
Local tax	74,603	-	74,603
Other	4,190	221,385	225,575
State sources:	127	-	127
Total revenues	78,920	221,385	300,305
Expenditures:			
Instruction:			
Regular instruction	76,893	-	76,893
Co-curricular instruction	-	235,605	235,605
Support services:			
Student services	4,231	-	4,231
Administration services	6,057	-	6,057
Plant operation and maintenance	22,660	-	22,660
Student transportation	13,359	-	13,359
Other expenditures:			
Facility acquisition and construction services	-	-	-
Total expenditures	123,200	235,605	358,805
Excess (deficiency) of revenues over (under) expenditures	(44,280)	(14,220)	(58,500)
Other financing sources(uses):			
Operating transfers in	-	7,936	7,936
Excess (deficiency) of revenues over (under) expenditures and other financing uses	(44,280)	(6,284)	(50,564)
Fund balances beginning of year, as restated (note 7)	219,033	64,237	283,270
Balance end of year	174,753	57,953	232,706

See accompanying independent auditor's report.

**SOUTHEAST WEBSTER COMMUNITY SCHOOL DISTRICT**

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2004

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except private-purpose trust and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2004, disbursements in the other expenditures function exceeded the amounts budgeted.



## Other Supplementary Information

## POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT

## Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2004

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
	\$	\$	\$	\$
All HS Athletics	(1,710)	607	542	(1,645)
HS Uniforms	3,688	1,500	4,750	438
HS Football	2,136	8,727	8,817	2,046
HS Basketball	1,978	6,049	4,320	3,707
HS Track	(4,470)	2,395	2,711	(4,786)
HS Golf	(2,981)	2,669	2,587	(2,899)
HS Baseball/Softball	(4,707)	3,951	7,074	(7,830)
HS Volleyball	(1,266)	1,351	1,060	(975)
HS Wrestling	187	8,246	5,493	2,940
Class of 2006	(5)	1,015	-	1,010
Class of 2002	996	-	996	-
Class of 2003	2,843	-	2,510	333
Class of 2004	3,904	701	2,595	2,010
Class of 2005	(130)	8,974	6,666	2,178
Student Fees	-	9,868	9,868	-
All JH Athletics	3,127	4,579	5,972	1,734
JH Football	(830)	1,138	412	(104)
JH Volleyball	(196)	472	500	(224)
JH Basketball	(908)	1,433	1,099	(574)
JH Track	(199)	349	460	(310)
JH Baseball/Softball	(1,260)	1,260	1,392	(1,392)
Pictures	815	502	1,317	-
Project Graduation	1,889	6,136	7,532	493
RIF	563	2,577	2,798	342
HS Activities	(33)	261	41	187
Student Insurance	(63)	255	192	-
Student Lounge Pop	1,662	18,859	16,033	4,488
Student Awards & Honors	238	1,508	1,731	15
Student Lounge Vending	-	108	108	-
Annual/Yearbook	(7,186)	17,684	10,515	(17)
JH Band Club	4,571	11,452	10,055	5,968
HS Band Club	2,466	1,325	-	3,791
Speech Club	(6,954)	7,553	3,736	(3,137)
JH Vocal Club	85	-	-	85
SH Vocal Club	(13)	-	-	(13)
DECA	(1,909)	1,118	846	(1,637)
JAG	578	1,358	1,900	36
HS Cheerleading	470	3,543	3,465	548
Youth Softball	1,215	3,595	4,323	487
Chopper Club	-	266	-	266
FCA	1	-	-	1
JH Student Council	579	2,805	1,973	1,411
SH Student Council	1,262	1,281	1,168	1,375
	433	147,470	137,557	10,346
Less interaccount transfers		(8,926)	(8,926)	
Total	433	138,544	128,631	10,346

See accompanying independent auditor's report.

## ROCKHONAS AREA COMMUNITY SCHOOL DISTRICT

## Combining Statement of Net Assets

## Nonmajor Proprietary Funds

June 30, 2004

	Eagles Nest	Daycare	Total
	\$	\$	\$
<b>Assets</b>			
Inventories	6,169	—	6,169
Capital assets, net of accumulated depreciation	—	18,110	18,110
<b>Total assets</b>	<u>6,169</u>	<u>18,110</u>	<u>24,279</u>
<b>Liabilities</b>			
Interfund payable	<u>18,062</u>	<u>13,647</u>	<u>31,709</u>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	—	18,110	18,110
Unrestricted	<u>(11,893)</u>	<u>(13,647)</u>	<u>(25,540)</u>
<b>Total net assets</b>	<u>(11,893)</u>	<u>4,463</u>	<u>(7,430)</u>

See accompanying independent auditor's report.

## POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT

## Statement of Revenues, Expenses and Changes in Net Assets

## Nonmajor Proprietary Funds

Year ended June 30, 2004

	Eagles Nest	Daycare	School Owned House	Total
	\$	\$	\$	\$
Operating revenue:				
Local sources:				
Charges for services	<u>15,085</u>	<u>68,647</u>	<u>-</u>	<u>83,732</u>
Operating expenses:				
Non-instructional programs:				
Other enterprise operations				
Salaries	7,223	53,721	-	60,944
Benefits	3,869	6,317	-	10,186
Supplies	-	-	9,343	9,343
Services	10,804	963	-	11,767
Depreciation	<u>-</u>	<u>3,473</u>	<u>-</u>	<u>3,473</u>
Total operating expenses	<u>21,896</u>	<u>64,474</u>	<u>9,343</u>	<u>95,713</u>
Operating (loss)	<u>(6,811)</u>	<u>4,173</u>	<u>(9,343)</u>	<u>(11,981)</u>
Non-operating revenues:				
Contributions	<u>-</u>	<u>250</u>	<u>-</u>	<u>250</u>
Changes in net assets	(6,811)	4,423	(9,343)	(11,731)
Net assets beginning of year	<u>(5,082)</u>	<u>40</u>	<u>9,343</u>	<u>4,301</u>
Net assets end of year	<u>(11,893)</u>	<u>4,463</u>	<u>-</u>	<u>(7,430)</u>

See accompanying independent auditor's report.

## POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT

## Combining Statement of Cash Flows

## Nonmajor Proprietary Funds

Year ended June 30, 2004

	Eagles Nest	Daycare	School Owned House	Total
	\$	\$	\$	\$
Cash flows from operating activities:				
Cash received from sale of inventory	15,085	-	-	15,085
Cash received from sale of services	-	68,647	-	68,647
Cash payments to employees for services	(11,091)	(60,038)	-	(71,129)
Cash payments to suppliers for goods or services	(11,155)	(963)	(9,343)	(21,461)
Net cash (used in) operating activities	<u>(7,161)</u>	<u>7,646</u>	<u>(9,343)</u>	<u>(8,858)</u>
Cash flows from noncapital financing activities:				
Contributions	<u>-</u>	<u>250</u>	<u>-</u>	<u>250</u>
Cash flows from capital financing activities:				
Acquisition of capital assets	<u>-</u>	<u>(3,124)</u>	<u>-</u>	<u>(3,124)</u>
Net (decrease) in cash and cash equivalents	(7,161)	4,772	(9,343)	(11,732)
Cash and cash equivalents beginning of year	<u>(10,901)</u>	<u>(18,419)</u>	<u>9,343</u>	<u>(19,977)</u>
Cash and cash equivalents end of year	<u><u>(18,062)</u></u>	<u><u>(13,647)</u></u>	<u><u>-</u></u>	<u><u>(31,709)</u></u>
<b>Reconciliation of operating income (loss) to net cash used in operating activities:</b>				
Operating (loss)	<u>(6,811)</u>	<u>4,173</u>	<u>(9,343)</u>	<u>(11,981)</u>
Adjustments to reconcile operating profit (loss) to net cash provided by (used in) operating activities:				
Depreciation	-	3,473	-	3,473
(Increase) in inventory	<u>(350)</u>	<u>-</u>	<u>-</u>	<u>(350)</u>
	<u>(7,161)</u>	<u>7,646</u>	<u>(9,343)</u>	<u>(8,858)</u>
<b>Reconciliation of cash and cash equivalents at year end to specific assets included on Combined Balance Sheet:</b>				
Current assets:				
Cash	<u>(18,062)</u>	<u>(13,647)</u>	<u>-</u>	<u>(31,709)</u>
<b>Non-cash investing, capital and financing activities:</b>				

See accompanying independent auditor's report.

## POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT

## Schedule of Revenues by Source and Expenditures by Function

All Governmental Funds

For the Last Four Years

	Modified Accrual Basis			
	2004	2003	2002	2001
	\$	\$	\$	\$
Local sources:				
General	2,207,600	1,395,169	1,340,808	1,339,321
Special revenue	74,603	166,184	166,156	154,207
Capital projects	<u>234,971</u>	<u>190,715</u>	<u>214,914</u>	<u>186,293</u>
	<u>2,517,174</u>	<u>1,752,068</u>	<u>1,721,878</u>	<u>1,679,821</u>
State sources:				
General	2,770,389	2,034,510	1,923,513	2,033,269
Special revenue	<u>127</u>	<u>167</u>	<u>154</u>	<u>191</u>
	<u>2,770,516</u>	<u>2,034,677</u>	<u>1,923,667</u>	<u>2,033,460</u>
Federal sources:				
General	<u>208,871</u>	<u>259,370</u>	<u>325,576</u>	<u>381,968</u>
Total	<u><u>5,496,561</u></u>	<u><u>4,046,115</u></u>	<u><u>3,971,121</u></u>	<u><u>4,095,249</u></u>

## POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT

## Combining Statement of Cash Flows

## Nonmajor Proprietary Funds

Year ended June 30, 2004

	Eagles Nest	Daycare	School Owned House	Total
	\$	\$	\$	\$
Cash flows from operating activities:				
Cash received from sale of inventory	15,085	-	-	15,085
Cash received from sale of services	-	68,647	-	68,647
Cash payments to employees for services	(11,091)	(60,038)	-	(71,129)
Cash payments to suppliers for goods or services	(11,155)	(963)	(9,343)	(21,461)
Net cash (used in) operating activities	(7,161)	7,646	(9,343)	(8,858)
Cash flows from noncapital financing activities:				
Contributions	-	250	-	250
Cash flows from capital financing activities:				
Acquisition of capital assets	-	(3,124)	-	(3,124)
Net (decrease) in cash and cash equivalents	(7,161)	4,772	(9,343)	(11,732)
Cash and cash equivalents beginning of year	(10,901)	(18,419)	9,343	(19,977)
Cash and cash equivalents end of year	(18,062)	(13,647)	-	(31,709)
<b>Reconciliation of operating income (loss) to net cash used in operating activities:</b>				
Operating (loss)	(6,811)	4,173	(9,343)	(11,981)
Adjustments to reconcile operating profit (loss) to net cash provided by (used in) operating activities:				
Depreciation	-	3,473	-	3,473
(Increase) in inventory	(350)	-	-	(350)
	(7,161)	7,646	(9,343)	(8,858)
<b>Reconciliation of cash and cash equivalents at year end to specific assets included on Combined Balance Sheet:</b>				
Current assets:				
Cash	(18,062)	(13,647)	-	(31,709)

## Non-cash investing, capital and financing activities:

See accompanying independent auditor's report.

## POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT

## Schedule of Revenues by Source and Expenditures by Function

All Governmental Funds

For the Last Four Years

	Modified Accrual Basis			
	2004	2003	2002	2001
	\$	\$	\$	\$
Local sources:				
General	2,207,600	1,395,169	1,340,808	1,339,321
Special revenue	74,603	166,184	166,156	154,207
Capital projects	234,971	190,715	214,914	186,293
	<u>2,517,174</u>	<u>1,752,068</u>	<u>1,721,878</u>	<u>1,679,821</u>
State sources:				
General	2,770,389	2,034,510	1,923,513	2,033,269
Special revenue	127	167	154	191
	<u>2,770,516</u>	<u>2,034,677</u>	<u>1,923,667</u>	<u>2,033,460</u>
Federal sources:				
General	<u>208,871</u>	<u>259,370</u>	<u>325,576</u>	<u>381,968</u>
Total	<u>5,496,561</u>	<u>4,046,115</u>	<u>3,971,121</u>	<u>4,095,249</u>

See accompanying independent auditor's report.



**Independent Auditor's Report on Compliance and  
on Internal Control over Financial Reporting**

To the Board of Education of the  
Southeast Webster Community School District:

We have audited the general purpose financial statements of the Southeast Webster Community School District, as of and for the year ended June 30, 2004, and have issued our report thereon dated July 20, 2004. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Southeast Webster Community School District's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed immaterial instances of noncompliance that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the general purpose financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have all been resolved, except for item 03-II-K.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Southeast Webster Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item 03-I-A is a material weakness. Prior year reportable conditions have all been resolved except for item 03-I-A.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Southeast Webster Community School District and other parties to whom Southeast Webster Community School District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Southeast Webster Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

**BRUCE D. FRINK**  
**Certified Public Accountant**

July 20, 2004

SOUTHEAST WEBSTER COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2004

**Part I: Findings Related to the General Purpose Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

**REPORTABLE CONDITIONS:**

03-I-A      Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We have noted the duties of the individual include: 1) preparation of checks, signing of checks, recording the transactions in the journals, and reconciling the bank; 2) receiving cash receipts, preparing the receipt, making up the bank deposit, and recording the transaction in the journals.

Recommendation - We realize with a limited number of administrative employees, segregation of duties to eliminate incompatible duties is difficult. We also realize the job description, as defined by the Code of Iowa, of certain members of the administrative staff make the segregations even more difficult and the elimination of the possibility of administrative override of the system improbable. However, we feel the board and administration should review these policies annually and with each personnel change to insure the best possible control climate is maintained.

Response - We will investigate possible alternatives to this situation.

Conclusion - Response accepted.

03-I-B      Negative Student Activity Fund Balance - We noted that several individual accounts in the Student Activity Fund had deficit fund balances, particularly Speech and Annual accounts. Each account is suppose to be self-supporting or receive additional funding from either other Student Activity accounts or General Fund supplements. General Fund support is subject to restrictions that any expenditures paid for must be allowable General Fund expenditures.

Recommendation - We recommend that the District bring these funds into positive financial condition.

Response - We will investigate the various options and bring the funds into a positive financial condition.

Conclusion - Response accepted

**SOUTHEAST WEBSTER COMMUNITY SCHOOL DISTRICT**

Schedule of Findings

Year ended June 30, 2004

**Part II: Other Findings Related to Required Statutory Reporting:**

03-II-A      Official Depositories - Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2004.

03-II-B      Certified Budget - Disbursements for the year ended June 30, 2004, exceeded the amended certified budget amounts in the other expenditures function.

Recommendation - The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion - Response accepted.

03-II-C      Questionable Disbursements - We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

03-II-D      Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

03-II-E      Business Transactions - No business transactions between the District and District officials or employees were noted.

03-II-F      Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

03-II-G      Board Minutes - We noted no transactions requiring Board approval which had not been approved by the Board.

03-II-H      Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

03-II-I      Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

03-II-J      Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

03-II-K      Financial Condition - The District's Enterprise Fund - Eagles Nest had a deficit fund balance of \$11,893 at June 30, 2004. The District's Enterprise Fund - Daycare had a deficit fund of \$13,647 at June 30, 2004. The District's Management Fund had a deficit balance of \$9,446 at June 30, 2004.

Recommendation - The District should investigate alternatives to bring this fund into a positive financial condition.

Response - We will comply with the recommendation.

Conclusion - Response accepted.

